



## **STAFF REPORT ACTION REQUIRED**

### **PRESTO Related Financial Controls**

<b>Date:</b>	September 11, 2015
<b>To:</b>	TTC Audit and Risk Management Committee
<b>From:</b>	Chief Executive Officer

### **Summary**

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This report provides the TTC Audit and Risk Management Committee with Metrolinx's response to the TTC Board's request for details on PRESTO related financial controls.

The TTC Board request and Metrolinx's response are attached for review and consideration.

In their response dated June 2, 2015, Metrolinx encouraged TTC to table any areas of perceived risk relative to PRESTO's existing risk and control framework through the PRESTO Audit and Assurance Committee. Accordingly, the TTC provided this information to Metrolinx on July 13, 2015 and TTC staff is awaiting feedback.

In addition, TTC staff is communicating with TTC's external auditors to ensure that areas of financial reporting risks relative to PRESTO fares are fully identified, and associated controls exist and are sufficiently tested under Metrolinx's annual controls-focused audit.

### **Recommendation**

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It is recommended that the TTC Audit and Risk Management Committee:

- (1) Forward the report to the next TTC Board Meeting.

### **Financial Summary**

There are no financial implications resulting from the adoption of this report.

### **Accessibility/Equity Matters**

There are no accessibility/equity matters resulting from the adoption of this report.

## **Issue Background**

At its meeting on April 29, 2015, the TTC Board adopted the following recommendation from the TTC Audit Committee:

“The TTC Audit Committee recommends that the TTC Board request the Metrolinx Board to provide details on the PRESTO related financial controls to:

- i) Ensure bank level accuracy in financial transactions involving customers and their bank accounts;
- ii) Ensure appropriate fares are collected;
- iii) Identify major variances;
- iv) Ensure the TTC collects revenues due to it on a timely basis; and
- v) That there is an appropriate governance structure in place to ensure this.”

The TTC continues to work with Metrolinx to fully address TTC’s concerns relating to completeness, accuracy and timeliness of PRESTO revenue reporting.

## **Contact**

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Head of Audit

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## **Attachments**

- 1) TTC letter request dated May 6, 2015 from TTC’s Chief Financial and Administration Officer to Metrolinx Board Chair
- 2) Metrolinx response letter dated June 2, 2015 from the Executive Vice President, PRESTO on behalf of the Chair to TTC Chief Executive Officer

May 6, 2015

J. Robert S. Prichard, Chair  
Metrolinx Board  
97 Front Street West  
Toronto, Ontario  
M5J 1E6

Dear Mr. Prichard:

At its meeting on April 29, 2015 the TTC Board adopted the following recommendation from the TTC Audit Committee:

“The TTC Audit Committee recommends that the TTC Board request the Metrolinx Board to provide details on the PRESTO related financial controls to:

- i) Ensure bank level accuracy in financial transactions involving customers and their bank accounts;
- ii) Ensure appropriate fares are collected;
- iii) Identify major variances;
- iv) Ensure the TTC collects revenues due to it on a timely basis; and
- v) That there is an appropriate governance structure in place to ensure this”.

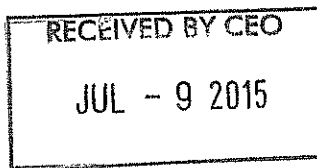
The foregoing is submitted for your consideration.

Sincerely,

*Original signed by V. RODO*

Vincent Rodo  
Chief Financial &  
Administration Officer

1-11  
Attachment



June 2, 2015

Mr. Andy Byford  
Chief Executive Officer  
Toronto Transit Commission  
1900 Yonge Street, 7th Floor  
Toronto, ON M4S 1Z2

Dear Mr. Byford:

**Subject: TTC Audit Committee request of details on the PRESTO related financial controls**

We acknowledge receipt of your letter dated May 6, 2015 requesting information regarding PRESTO financial controls. This letter is our response in this regard.

Annually since 2011, PRESTO has been independently audited using a controls-focused audit called the Canadian Standard Assurance Engagement report (CSAE S3416). This audit standard is used to provide independent professional audit assurance with respect to financial transaction processing. It provides assurance covering the description, design and operating effectiveness of controls over the processing of financial transactions. This audit is part of the PRESTO Assurance Framework that was developed in concert with GTHA transit agencies, and the report is provided to your financial statement auditors.

Metrolinx engages an independent professional audit firm to perform the audit. As of 2012, the audit covers the entire year on which it reports, and is known as a Type II audit. The 2014 report includes 89 PRESTO general IT and business process controls. These controls result from PRESTO's risk/control mapping process based on primary financial statement assertions and control objectives. This mapping process is evaluated by our independent auditors as part of the annual audit process. The resulting controls, and testing results, are included in this annual audit report.

In 2014, PRESTO settled \$26.7M in fare payments with TTC representing 9.8 million individual fare payment transactions. During 2014, 99.5% of transactions were settled on an automated basis. Based on daily settlement report analysis, 95% of fare payment transactions were settled within three days of tapping on a device. Normal exception transactions are settled manually on a lag basis. For TTC this amounted to 0.15% of total transactions processed or \$42,000 in calendar 2014 (reduced in percentage terms from the prior year at 0.19%).

PRESTO produces monthly reconciliation reports and this reconciliation analysis is delivered to TTC on a monthly basis within 10-15 business days. PRESTO also provides TTC with monthly access to raw transactional sub-system data which enables TTC to independently validate PRESTO financial settlements and reconciliation.

As we begin planning for the 2015 Audit, we encourage TTC, through the PRESTO Audit / Assurance Committee, to formally table any areas of perceived risk relative to the existing risk/control framework.

In closing, it is important in the future that both of our organizations continue to work together towards shared success. We look forward to working with you to ensure that the PRESTO system, outputs and deliverables meet your financial control needs.

Sincerely,  
  
Robert Hollis  
Executive Vice President, PRESTO

on behalf of the Chair of the Metrolinx Board, Robert Prichard

CC: President and CEO of Metrolinx, Bruce McCuaig

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